Investment Policy

Blue Action Fund

Revised Version - August 2019

I SCOPE OF THIS INVESTMENT POLICY; RELEVANT PROVISIONS OF GOVERNING DOCUMENTS

This statement of Investment Policy sets forth the policy, objectives, and restrictions that apply to investment of the assets of the Blue Action Fund (the "Foundation").

Key provisions of the articles (*Satzung*) and by-laws of the Foundation regarding investments are set forth in Annex 1.

II PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of Investment Policy is adopted by the Supervisory Board of the Foundation in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding for all involved parties of the goals and objectives of investing the Foundation's assets.

3. Offer guidance and limitations to the Investment Consultant and Investment Manager(s) regarding the investment of the Foundation's assets.

4. Establish a basis for evaluating investment results.

5. Manage the Foundation's assets according to prudent standards.

6. Establish the relevant investment horizon for which the Foundation's assets will be managed.

III DELEGATION OF AUTHORITY

A. Internal Delegation

In order to take advantage of additional expertise, the Supervisory Board has approved the establishment by the Management Board of an investment committee (the "Investment Committee") that will, in the manner contemplated by this Investment Policy, work in a coordinated way to make investment decisions and report to the Management Board (and as requested, the Supervisory Board). The Management Board will as a rule rely on and implement the decisions of the Investment Committee, taken in consultation with the Investment Consultant as described herein. In order to reduce investment management costs and take advantage of efficiencies, the

Investment Consultant has been named in conjunction with the Caucasus Nature Fund and Prespa Ohrid Nature Trust.

The composition of the Investment Committee will be as determined from time to time by the Management Board with approval of the Supervisory Board. The initial composition of the Investment Committees will be as set forth in Annex 2. Annex 2 will be updated from time to time to reflect changes agreed. The meetings of the Investment Committees are open to the participation of the Management Board.

In the event of a failure to achieve Consensus in the Investment Committees as to an investment action to be taken, the action shall either not be taken or shall be referred to the Supervisory Board for guidance. The Supervisory Board can finally decide the matter and take action or not as it sees fit. Annex 2 sets forth the definition of Consensus.[1]

B. External Delegation

The Foundation does not have a professional internal staff dedicated to investment management. Accordingly, the Management Board plans to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. An "Investment Consultant" with the duties described in IV(A) below.

2. One or more "Discretionary Manager(s)", with the duties described in IV(B) below.

3. If appropriate, one or more "Investment Fund(s)", who operate in accordance with their own procedures as described in IV(C) below.

4. One or more "Custodian(s)", with the duties described in IV(D) below.

5. Additional specialists such as tax attorneys, auditors, actuaries, and others may be employed by the Management Board to assist in meeting its responsibilities and obligations to administer the Foundation's assets prudently.

All expenses for such experts must be customary and reasonable, will be borne by the Foundation as deemed appropriate and necessary.

IV ASSIGNMENT OF RESPONSIBILITY

A. Responsibility of the Investment Consultant

The Investment Consultant's role is that of an advisor to the Management Board and the Investment Committee. Investment advice concerning the investment management of the Foundation's assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, Investment Guidelines and constraints as established in this Investment Policy. Final responsibility for appointment and dismissal of the Investment Consultant shall rest with the Supervisory Board. Specific responsibilities of the Investment Consultant include:

[1] Under its agreements with KfW, the Foundation is obligated to seek KfW approval of this Investment Policy and amendments to it. For as long as the agreements with KfW are in force, changes to Annex 2 shall not require prior approval of KfW but shall be regularly notified to KfW by the respective Foundation.

1. Assisting in the development and periodic review of this Investment Policy and Investment Guidelines.

2. Assisting with the efficient structuring of custodial and reporting arrangements.

3. Conducting new Discretionary Manager and Investment Fund searches when requested by the Management Board or the Investment Committee, including:

- Assistance and advice with the engagement of Discretionary Managers and investments in Investment Funds, organizing the respective “pitching process”, due diligence and documenting decisions to engage the Discretionary Managers or invest in the Investment Funds, including consistency with the sustainability criteria of this Investment Policy. Drafting appointment letters and setting risk tolerance limits for Discretionary Managers (see IX below).
- Assistance and advice with the investments in Exchange Traded Funds (ETFs) and other self-managed investments.

4. Advising the Foundation on allocations to Discretionary Managers, Investment Funds, and ETFs and other self-managed investments.

5. Ensuring that the overall risk tolerance of the Foundation’s portfolio is in line with this Investment Policy and the Investment Guidelines.

6. In accordance with the Management Board’s or Investment Committee’s asset allocation and discretionary manager/investment fund/self-managed investment decisions, instructing the Custodian on behalf of the Investment Committees or Executive Directors to make investments and dis-investments and implementing (through instructions to the custodian, Discretionary Managers or otherwise) any regular re-balancing of the Foundation’s assets.

7. Conducting Discretionary Manager and Investment Fund reviews at least annually and providing regular (at least annual) "due diligence", or research, on Discretionary Manager(s) and Investment Funds including a peer manager review and review of personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

8. Monitoring and evaluating compliance by the Discretionary Manager(s) with their Investment Guidelines. Monitoring and evaluating compliance by Investment Funds with their agreed policy and strategy.

9. Monitoring the performance of the Discretionary Manager(s), Investment Funds and any self-managed investments to provide the Foundation with the ability to determine the progress toward the investment objectives; monitoring overall adherence to the Sustainability Policy (Section XII).

10. Communicating matters of policy, manager research, and manager performance to the Investment Committee and the Management Board.

11. Meet telephonically at least quarterly with the Investment Committee to discuss investment performance, re-balancings to be effected and any proposed changes to allocation targets (see Annex 3). Attend in person (unless otherwise agreed by the Foundation) a meeting of the Investment Committee or the Management and Supervisory Boards at least once per year to review past year progress and discuss issues relevant to the investments of the Foundation. Minute the results of each Investment Committee meeting.

The Investment Consultant may also act as an Investment Manager of any of the Foundation's assets if the Management Board determines that appropriate benchmarks against which its performance can be measured can be set and reported on by the Investment Committee and the Investment Manager. The Investment Consultant will be held responsible and accountable to make every effort to achieve the objectives herein stated, but the liability of the Investment Consultant is limited to deliberate action and gross negligence.

B. Responsibility of the Discretionary Managers ("Discretionary Managers"). Discretionary Managers as used herein means a financial or investment institution that has been granted a diversified, multi-asset class strategic or specific asset class mandate on behalf of the Foundation. Each Discretionary Manager will have full discretion to make all investment decisions for the assets placed under its direct management, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement and in its appointment letter which shall specify permissible categories and limits of investments. Specific responsibilities of the Discretionary Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the permissible categories and limits established by its appointment letter.

2. Reporting, on a timely basis, quarterly investment performance results to the Investment Consultant and annual results to the Investment Committee.

3. Communicating to the Investment Committee and the Investment Consultant any major changes to economic outlook, investment strategy, or any other factors that affect achievement of such Manager's investment objectives for the Foundation. Unless otherwise specified in the appointment letter for any particular manager, any change of more than 15 percentage points in the portion of a Manager's portfolio allocated to a particular asset class (i.e., for a balanced manager, a shift from 30% to more than 45% equity) will be considered a change in investment strategy.

4. Informing the Investment Committee and the Investment Consultant of any significant qualitative changes to the investment management organization: Examples include changes in portfolio management personnel, ownership structure, or investment philosophy.

5. Voting at shareholders' meetings shall be as agreed in the relevant appointment letter/investment management agreement.

Final responsibility for appointment and dismissal of Discretionary Managers shall rest with the Management Board. Upon appointment of a Discretionary Manager, neither the Management Board, the Investment Committee nor the Investment Consultant will reserve any control over investment decisions, but instead will monitor and oversee performance as described in this policy. The Discretionary Manager(s) will be held responsible and accountable to make every effort to achieve the objectives herein stated.[2]

[2] For as long as the agreements with KfW are in force (footnote 1), the Foundation will advise KfW of its intention to engage or dismiss an Investment Manager and invite KfW to participate in the deliberations relating to such engagement or dismissal.

C. Responsibility of Investments Funds (open or closed-end investment funds and similar vehicles).

Investment Funds typically will pool the funds invested by the Foundation with other funds, and will have full discretion to make all investment decisions for the assets invested. Their responsibility is to observe and operate within all policies, guidelines, constraints, and philosophies as outlined in their governing documents. An appropriately restricted, limited class non-pooled mandate to an investment or financial institution can also be considered an Investment Fund for these purposes.

In addition to the duties of the Investment Consultant described above for investments in Investment Funds, the Investment Consultant will regularly monitor and report to the Investment Committee on the following:

1. Maintenance of investment discipline and deviations from the Fund's published strategy.

2. Any major changes to economic outlook, investment strategy, or any other factors that affect achievement of the Foundation's investment objectives through such Fund.

3. Any significant qualitative changes to the Fund's management organization: Examples include changes in portfolio management personnel, ownership structure, or investment philosophy.

Upon investment in an Investment Fund, neither the Management Board, the Investment Committees nor the Investment Consultant will reserve any control over investment decisions, but instead will monitor and oversee performance as described in this policy.

D. Responsibility of the Custodian(s)

The Custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation accounts. Final responsibility for appointment and dismissal of the Custodian shall rest with the Management Board, which shall obtain approval of the Supervisory Board.

E. Responsibility of the Investment Committee.

The Investment Committee shall have authority (after reaching Consensus and subject to any instructions received from the Management or Supervisory Board) to invest in or sell non-managed investments and investments in Investment Funds provided that such products are in line with the approved investment categories in the Investment Guidelines set forth in Annex 3 and the Sustainability Policy set forth in Annex 4. The Investment Committee shall provide a copy of the minutes of its meetings to the Management Board for information and shall report to the Management Board at least semi-annually as to the actions it has taken on adding or removing Investment Funds from the portfolio. At the request of the Supervisory Board, the Investment Committee shall also report to it on an annual basis.

Investment/dis-investment actions and decisions taken by the Investment Committee or the Management Board pursuant to the above shall be implemented by the secretary of the Investment Committee or the Executive Director of the Management Board. For good order's sake, it is noted that the Investment Committee shall not have authority to purchase individual equity securities (such as shares) of individual companies nor to appoint or dismiss a Discretionary Manager.

V. LONG-TERM GOAL OF THE ENDOWMENT; INVESTMENT STRATEGY/OBJECTIVES

The Foundation's endowment is intended to exist and support the Foundation's operating costs in perpetuity. To attain this goal, the long-term financial planning of the Foundation will seek to maintain and if possible increase the value of the endowments on an inflation adjusted basis.[3] The Foundation's Verbrauchsstock (spendable capital) is intended to support the Foundation's operating costs over a maximum of 10 years. The Foundation's reserve funds are intended to support projects over a 3-5 year period.

In order to meet its needs, the investment strategy of the Foundation is to emphasize total return. The primary objectives in investment management for the Foundation's assets shall be to balance, in a manner consistent with the Foundation's risk profile as described below, the desire for long-term capital growth (increase in Purchasing Power as defined below) with the Foundation's medium-term (5 year) spending needs.

VI. INVESTMENT MANAGEMENT POLICY

The Foundation may employ one or more Discretionary Managers and/or invest in different Investment Funds of varying styles and philosophies as well as make non-managed investments to attain their objectives. See Sections III & IV.

1. Preservation of Purchasing Power. As noted above, a primary goal of the Foundation's investment activity is to preserve capital. Consistent with their respective investment styles and philosophies, the Discretionary Managers and Investment Funds should make reasonable efforts to preserve capital, and self-managed investments will also be made with this goal in mind, understanding that losses may occur in individual securities and that accounts in more volatile asset classes will fluctuate in value. Preservation of capital for this purpose means preserving Purchasing Power, defined for the purposes of this Policy as follows: for the Foundation, the value of principal adjusted for the rate of Euro-denominated inflation; for each Discretionary Manager or Investment Fund, the value of principal adjusted for the rate of Euro-denominated or US-dollar denominated inflation, as specified for each depending on the currency to which it principally manages it investments.

2. Risk Aversion. - Understanding that risk is present in all types of securities and investment styles, the Foundation recognize that some risk is necessary to produce long-term investment results that are sufficient to meet their objectives. The Foundation's Investment Guidelines shall specify that investments shall be well diversified so as to reduce the risk of large losses to a level deemed acceptable, unless the Management Board determines that under the circumstances it is clearly prudent not to diversify. Discretionary Managers and Investment Funds are to make reasonable efforts to control risk. Discretionary Managers will report regularly to the Investment

[3] While the Foundation intends to increase their endowments each year by an amount at least equal to inflation, the Management Board may change this intention if investment returns and budget requirements suggest that inflation adjusted capital maintenance does not serve the best interests of the Foundation. New gifts to the endowment in any given year will not be calculated in measuring the inflation adjustment during the year in which the gift is made.

Consultant and at least annually to the Investment Committees to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline. Discretionary Managers and Investment Funds are expected to adhere to the investment management styles for which they were hired. Discretionary Managers will also report regularly to the Investment Consultant as to adherence to investment discipline.

4. Productive Employment of Cash. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return, provided that market conditions allow a reasonable return.

VII. SPECIFIC INVESTMENT GOALS

For the purposes of this statement, "investment horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The immediate investment horizon for the Foundation's assets is five years, with the expectation but not the certainty that the funds will be regularly replenished.

Over the investment horizon, using a three-year rolling average, the Foundation's goal is as follows:

> Exceed a total nominal return of at least 175 basis points (1.75%) p.a. in excess of the total nominal return of the current yield of the one year Deutsche Bund. The total nominal return shall be calculated net of investment expenses.

The investment goal above is the objective as an aggregate for the Foundation, and is not meant to be imposed on each asset class. The goal of each Discretionary Manager or Investment Fund, over the investment horizon, shall be to:

1. Meet or exceed the market index or blended market index agreed upon by the Investment Committee that most closely corresponds to the style of investment management.

2. Display an overall level of risk in the portfolio that is consistent with: for a Discretionary Manager, the risk associated with the specific guidelines agreed with the Investment Committees and the Board; and for an Investment Fund, the policies, guidelines, constraints, and philosophies as outlined in their governing documents.

VIII. DEFINITION OF RISK

The Foundation recognizes that there are many ways to define risk. They believe that any person or organization involved in the process of managing their assets understands how to handle risk so that the assets are managed in a manner consistent with the Foundation's investment objectives and investment strategy.

The Foundation defines risk primarily as: not maintaining Purchasing Power of any given asset class over the Foundation's 5-year investment time horizon.

The Foundation defines risk secondarily as: excessive fluctuation in the value of the Foundation's assets during a one-year period. This will be defined separately for each Investment Manager, Investment Fund and asset class. It is defined for the Foundation's assets overall as a 5% down or 10% up change in value over a one-year time horizon. Either limit, if exceeded, will indicate that the portfolio may be subject to excessive volatility risk. When the measure is triggered it will require at a minimum a review of investment strategy with the Investment Consultant or the relevant Discretionary Managers or both.

IX. LIQUIDITY

Based on their board approved budgets and internal forecasts, the Executive Director of the Foundation will develop and update annually in consultation with the Investment Consultant a rolling two-year spending plan showing forecasted sources and uses of cash ("Spending Plan"). The Spending Plan sources will show inter alia expenditure plans for the Reserve Funds and the needs planned to be covered from investment income. The Spending Plan will minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment. The Executive Director will notify the Investment Consultant of changes to the current year plan in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, a minimum of ½ of 1% of each Foundation's assets shall be maintained in permitted cash or cash equivalents.

X. INVESTMENT GUIDELINES

Investment management of the of the Foundation's assets shall be in accordance with the asset allocation guidelines set forth in Annex 3, as amended from time to time. Changes in the table to the overall Management Board Competence must be approved by the Supervisory Board.[4] Changes to the Investment Committee competence (within the overall Management Board competence) and the current target may be made on the authority of the Management Board (or, as to the current target, by the authority of the Investment Committee provided it is within the competence granted by the Management Board).[5]

XI. PERFORMANCE REVIEW AND EVALUATION

The Investment Committee will report at least semi-annually to the Management Board on its actions and on the performance of the portfolio. The Management Board (an on request the Supervisory Board) will receive an in person review of investment performance and recommendations with the Investment Consultant at least once per year.

Reporting shall consider the extent to which the investment results are consistent with the investment objectives, goals, policies and guidelines as set forth in this statement. The investment performance of total portfolio, as well as asset class components, will be measured against commonly accepted performance benchmarks.

In evaluating the performance of the Investment Consultant or any Discretionary Manager or Investment Fund, the Management Board intends to consider performance over at least a three-year period, but reserves the right to terminate the Investment Consultant or any Discretionary Manager or Investment Fund for any reason including the following:

[4] For as long as the agreements with KfW are in force, the Foundation will be required to seek KfW's no objection to changes in the competence of the Management Board.

[5] For as long as the agreements with KfW are in force, the Executive Director of the Foundation will notify any changes to the competence of the Investment Committee as part of his regular reporting to KfW, but KfW's no objection is not required.

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

3. Significant qualitative changes to the investment management organization.

XII. SOCIALLY RESPONSIBLE INVESTING

The Socially Responsible Investment Policy of the Foundation is set forth in Annex 4.

XIII. INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this framework statement of investment policy, the Management Board plans to review the Investment Policy (including the Investment Guidelines) at least tri-annually and as the need may be. For the Investment Guidelines, the targets for the different asset categories and Investment Committee competence (within the overall Management Board competence) will be reviewed regularly as contemplated by the Investment Guidelines.

Annex 1

Key provisions of the charter and by-laws of Blue Action Fund regarding investments

Charter

No relevant provisions

By-laws

§ 5 Committees and Advisory Councils

(1) In order to prepare its decisions, the Management Board may consult experts and set up committees. At least one member of the Management Board shall be a member of each committee.

The Management Board shall document the terms of reference for experts and committees in writing.

§ 7 Transactions subject to Prior Authorization

(1) The Management Board requires the consent of the Supervisory Board for the following transactions:

a) Adoption and amendment of Foundation policies such as an Investment Policy, Grant Guidelines and an Operational Manual.

d) Setting up committees or advisory councils and selecting their members

§ 10 Investment Objectives and Investment Policy

(1) The Management board is responsible for the management of the Foundation's financial assets.

(2) The Management Board shall develop an "Investment Policy" that will provide for reasonable measures to control risk. The Investment Policy will use an investment strategy based on diversification of investments and include limitations on the percentage of the Foundation's assets that can be invested in particular asset classes (such as stocks, bonds, real estate, etc.), countries or geographical regions, currencies or industries or companies. The investment policy also contains information on the organization of the investment activity and on investment controlling.

(3) The adoption and amendment of the "Investment Policy" requires the consent of the Supervisory Board. The binding version of the Investment Policy shall be attached to these by-laws as an Annex.

(4) The investment strategy will be evaluated regularly by the Management Board to ensure that the risks assumed are prudent and are designed to maximize consistent long-term returns on investment.

(5) The Management Board shall establish and investment committee whose role shall be defined in the Investment Policy.

The Management Board shall, with the approval of the Supervisory Board, engage an experienced investment manager or an advisor who will assist with appointing a custodian, mandating further asset managers or investments in investment funds or similar vehicles.

Annex 2

Investment Committee

Blue Action Fund Investment Committee
Management Board Member David Morrison (Secretary) *Advisor Member* Michael Schneider *Non-voting observer* Markus Knigge Alba Carreras

For as long as the Investment Committee consists of only two persons, for purposes of taking action under Section III(A) of the Policy, "Consensus" shall be achieved if: (i) both members are in favor of the action and such action has been recommended or suggested by the Investment Consultant;
(ii) in the event of an action not recommended by the Investment Consultant, both Committee members/advisors agree the action.

Annex 3

Investment Guidelines

September, 2017

Asset Allocation Guidelines

This revised strategic asset allocation is proposed in light of the current assets of Blue Action Fund, its long-term investment horizon and the low interest rate environment at the time of adoption. It will be reviewed from time to time as conditions change. The maximum and minimum percentages set forth below permissible ranges within which the Management Board or the Investment Committee may from time set current or "target" allocations for asset classes.

Strategic Asset Allocation (at market value)

Competence	Management Board		IC		Tactical Targets
	Min	Max	Min	Max	QX 20YY
1. Bank Acct. & Fixed Income-Related	**40%**	**95%**	**50%**	**80%**	
Cash	**7.5%**	**65%**	**10%**	**50%**	
Fixed Income Related	**20%**	**60%**	**20%**	**50%**	
Money Market	**5%**	**40%**	**5%**	**30%**	
Investment grade	0%	40%	0%	30%	
Non-investm. grade (Emerging Markets)	0%	10%	0%	7.5%	
Bonds and Similar	**10%**	**80%**	**10%**	**60%**	
Investment Grade	0%	75%	5%	50%	
High Yield	0%	20%	0%	15%	
2. Equity Related	**0%**	**40%**	**0%**	**25%**	
Equities	**0%**	**40%**	**0%**	**25%**	
ETFs (passively managed)	0%	40%	0%	25%	
Mandates/Funds (actively managed)	0%	40%	0%	25%	
Equity linked	**0%**	**10%**	**0%**	**5%**	
3. Real Assets	**0%**	**12.5%**	**0%**	**8%**	
Real Estate, Infrastructure	**0%**	**10%**	**0%**	**5%**	
Timber & Agriculture	**0%**	**5%**	**0%**	**5%**	

4. Alternatives	**0%**	**10%**	**0%**	**8%**	
Insurance Linked Securities	**0%**	**5%**	**0%**	**3%**	
Private Debt	**0%**	**10%**	**0%**	**6%**	
Private Equity	**0%**	**10%**	**0%**	**6%**	

Target allocations for a given period (e.g. quarter) are set by the IC within its bandwidth competence and changes to targets are regularly communicated to the Management Board. A target allocation falling outside the bandwidth for which the Investment Committee has competence must be approved by the Management Board. Until such an exceptional target is re-adjusted by the Management Board, the bandwidth within which the IC has competence to act will (unless the Management Board otherwise decides) be deemed extended to include the entire range to the approved target. For example, the Management Board competence for bonds is 10%-80%; the ordinary IC competence is 10%-60%. In a high interest rate environment, the IC might wish to increase the allocation to 65%. If the Management Board approved this, absent other instructions, this is deemed to increase the IC competence to 10%-65% until the target is changed by the Management Board.

Tactical Adjustments & Re-balancing

Given the long-term investment orientation of the Foundation, there will be a bias toward maintaining the target allocation ranges rather than making frequent adjustments of those ranges. However, the Foundation expects to continue to mandate one or more Discretionary Managers who will be adjusting their portfolios within their specific asset class mandates from time to time as they see fit. The Investment Consultant and the Investment Committee will monitor such adjustments regularly to assure that the minimum/maximum allocations are respected. Accordingly, there will be shifts from time to time in the individual asset classes because of the actions of the Discretionary Managers.

The Foundation's policy will be to re-balance at least annually to within its overall target allocation (absent circumstances which lead it to change its target allocation), if the weighting of any specific asset class (except Cash) exceeds or undershoots the target allocation by more than two percentage points. Re-balancing will occur at least semi-annually if the weighting of any specific asset class (except Cash) exceeds or undershoots the maximum or minimum competence of the Board by more than two percentage points.

Liquidity Requirements

Of the Foundation's overall portfolio, at least 85% must be invested in liquid securities, defined as securities that can be sold quickly and efficiently for the Foundation, with minimal impact on market price. Securities with defined exits windows occurring at least twice a year will count as liquid securities as long as not more than 25% of the Foundation's assets are invested in such securities.

Up to 15% of the overall portfolio may be invested in assets that do not meet the above liquidity requirements if justified by the risk/return profile.

Diversification of and by Investment Managers

In order to achieve a prudent level of overall portfolio, Discretionary Manager and Investment Fund diversification, the following limits shall apply:

- Investments with any Discretionary Manager focused on a single asset class may not exceed 25% of the total portfolio of the Foundation; investments with any Discretionary Manager with a balanced mandate may not exceed 40% of the assets of the Foundation.
- Investments in any Investment Fund (whether focused on bonds, equity, real estate or any other asset class) or ETF shall not exceed 25% of the total portfolio of the Foundation.
- The equity securities of any one company should not exceed 3.5% of the total portfolio of the Foundation.
- With the exception of cash equivalents:
    - Equity and debt securities combined shall of any one company shall not exceed 5% of the total portfolio of the Foundation.
    - No more than 15% of the total assets of the Foundation should be invested in any one industry.
- Individual government-issued securities may represent no more than 5% of the total portfolio of the Foundation.
- The total allocation to treasury bonds and notes of any single country's issue may represent no more than the following percentages of the aggregate bond position of the Foundation:
    - 30% for countries with a credit rating of AA- or better,
    - 20% for countries with a credit rating of BBB- or better,
    - 3.5% for countries with a credit rating of below BBB-.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Except as permitted under 6 below, the Foundation's assets may be invested only in investment grade bonds rated BBB- (or equivalent) or better (investment grade). If there is no rating of a particular bond issue available, the issuer- or group rating can be used as a reference.

2. Fixed income maturity restrictions are as follows:

- Maximum maturity for any single security is 15 years (excluding perpetual subordinated bonds).
- Weighted average portfolio duration may not exceed 7 years (excluding perpetual subordinated bonds).

3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard & Poor's, and/or Moody's.

4. The base currency for fixed income investments is EUR. Up to 25% of the Foundation's total assets can be invested in non- EUR denominated fixed income investments, of which a maximum of 25% can be denominated in currencies other than USD.

5. Foreign currencies for fixed income investments are required to be highly liquid.

Currencies allowed are: USD, GBP, AUD, NOK, SEK and CHF. The Investment Committee, with the advice of the Investment Consultant, is authorized to add or delete currencies to or from this list.

6. Any passive violation (e.g., as a result of a downgrading of a security) of the Investment Guidelines does not constitute a breach of the Guidelines. The Investment Consultant will inform the Investment Committee promptly of any such violation. The Investment Committee may decide whether to sell or hold the respective security.

7. Investments in fixed income securities that do not meet the above requirements (e.g. high-yield bond, contingent convertibles and convertible bond investments) are permitted only when managed by a well-established firm with a high degree of capability in credit analysis as part of an actively managed discretionary mandate approved by the board or investment fund approved by the Investment Committee and subject to the limitations set forth in footnote 1 to the strategic asset allocation table.

8. Cash deposited within the EU must be deposited with banks whose short-term ratings by at least one of the rating agencies is P-2 (Moodys), A2 (S&P) or F-2 (Fitch) or better. Cash deposited in emerging market banks may be made in the countries that have a short term rating by at least one of the rating agencies of C (S&P) or C (Fitch). No such cash equivalent may have a maturity exceeding one year (two years in the case of a CD or term deposit, but in the case of an emerging market CD or deposit exceeding one year the short-term rating must be NP (Moodys), B (S&P) or B (Fitch) or better).

Allowable Asset Classes

The allowable asset classes are as follows, subject to the sustainability policies in the Investment Policy.

1. Cash Equivalents allowed include the following:

- AAA or AA+ rated treasury bills or bonds
- Money Market funds in a permissible currency
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Term Deposits and Certificates of Deposit

(all subject to the currency limits)

2. Fixed Income Securities allowed include the following:

- Fixed Income Securities of Governments and Corporations
- Preferred Stock

3. Equity Securities allowed include the following:

- Ordinary Shares of German and non-German Companies (common stock)
- American Depository Receipts (ADRs) of Non-U.S. Companies and European Depositary Receipts
- Equity-linked bonds with principal protection deemed sufficient by the Investment Committee
- Convertible Notes and Bonds
- Convertible Preferred Stocks

4. Investment Funds allowed include the following:

- Open-end Mutual Funds that invest in securities as allowed in this investment policy statement.
- Closed-end Mutual Funds which invest in securities as allowed in this investment policy statement.
- Limited Partnerships and similar fund vehicles which invest in securities as allowed in this investment policy statement.

5. Alternative Investments allowed include the following:

- Guaranteed Investment Contracts (GIC's)
- Low-Volatility Hedge Funds and absolute return strategies
- Private Equity/Debt
- Insurance linked securities and
- Similar strategies chosen for their relative lack of correlation to the broader markets

6. Real assets allowed include funds (including REITs, ETFs, partnerships and similar vehicles) investing in the following asset classes :

- Real estate, infrastructure (which must be located in the EU or an OECD country or be eligible under the positive screen / impact investment category of Annex 4)

- Timber, agriculture (but only if eligible under the positive screen / impact investment category of Annex 4)

Direct investments are permissible with the approval of the Supervisory Board.

Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. Many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Management Board will take a conservative posture on derivative securities in order to maintain its risk adverse nature.

Prohibited Asset Classes

Prohibited investments include, but are not limited to the following:

1. Individual (non-managed) Commodities and Futures Contracts

2. Private Placements except within the liquidity limits set forth above.

3. Derivatives which increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities, or derivatives used to acquire exposure to changes in the value of assets or indices that by themselves would not be purchased for the portfolio.

4. Private, Non-registered Limited Partnerships (other than hedge funds or other vehicles that invest primarily in assets or indices that by themselves could be purchased for the portfolio)

5. Venture-Capital Investments

Annex 4

Policy on Socially Responsible Investing (SRI)

Background

This Policy on Socially Responsible Investing (the "SRI Policy") is adopted as Annex 4 of the Investment Policy of the Blue Action Fund (the "Foundation") which was adopted by the Supervisory Board of the Foundation at its meeting on February 14, 2017.

A. General Principles.

The Foundation was created by the German Ministry for Economic Cooperation and Development (BMZ) and KfW to support national and international non-governmental organizations NGOs in their efforts to conserve the oceans and coastlines of the developing world. To strengthen the efforts of existing NGOs, the Foundation has been funded with substantial public funds. Further stakeholders including additional states or sovereign wealth funds may join and contribute significant additional funds.

The Foundation's main operating objective is to achieve an efficient and effective use of its financial resources in its grant program, supported by an efficient administrative and operating structure. To support this objective, the Supervisory Board has adopted the Investment Policy which directs the Management Board to invest the Foundation's capital to achieve the best economic return so that the public funds are used as efficiently as possible. As part of the Investment Policy, this SRI Policy is designed to ensure in addition that the Foundation adheres strictly to international best practices in terms of environmental sustainability, social responsibility and principles of good governance when performing its investment activities.

The Foundation plans regular and sizable donations through its grants program and is aware that as a result its assets may be substantially reduced. Accordingly, most of the Foundation's funds must be invested in liquid investments to ensure the financing of the foundation's activities at all times.

The present SRI Policy is designed to give clear guidance to the Management Board on how to achieve in its investing activity an adequate financial return to maximize the impact of the foundation's mission while implementing environmental, social and governance ("ESG") best practices, including ESG risk management.

The Management Board will take into consideration the relevant SRI criteria in all its investment decisions. In implementing the SRI approach, the focal point shall be the ESG impact of the entire portfolio, and the Management Board will use suitable measures to avoid the inclusion of controversial investments into the portfolio and seek, consistent with international best practices, an ESG impact that is positive.

Under the Investment Policy the Management Board may delegate investment decisions to the investment committee ("IC"), as long as it ensures that the latter has sufficient knowledge of ESG and this SRI Policy and will apply it accordingly. The Management Board will oversee these decisions in a suitable manner.

B. Multidimensional SRI Approach

When making investment decisions, the Foundation will of course seek a positive expected financial return to maximize the impact of its objectives and activities. In addition, it will implement this SRI Policy to address environmental, social and governance issues and consider investments in companies or other issuer organizations which (i) have no or little negative impact on ESG issues, or (ii) even positively contribute to ESG and SDG/Agenda 2030 goals and targets.

The Foundation is aware that ESG criteria are themselves often difficult to define and involve substantial areas of sometimes subjective and normative judgments. The Foundation is also aware of the difficulty in ensuring that every security in its portfolio (including underlying positions of investment funds (both actively and more passively managed) have been issued by companies or organizations complying with all the ESG criteria at all times.

To align the investment portfolio in an optimal and consequential manner, the Foundation will use the following selection approaches:

1. Exclusions and Negative Screening to remove issuers with certain controversial activities from the investible universe of the portfolio. The Management Board shall prudently select any direct investments according to the following exclusion criteria and require that managers apply the same exclusion criteria to indirect investments.

    a. Corporate issuers that have significant activities in the following sectors are to be excluded:

– Coal and related industries (e.g. coal-fired power plants) – Fossil fuels and related industries – Nuclear energy – Extraction of mineral resources and related infrastructure – Tobacco – GMO or stem cell research – Gambling	– Hard liquor – Adult entertainment or violent video games – Defense/firearms/weapons – Agriculture, fishing, timber and soft commodities (unless they qualify as positive screen, sustainably themed or impact investments – Fur – Biocides

    b. Corporate issuers which are known or suspected to engage in objectionable business practices are to be excluded. Objectionable business practices especially include the violation of international norms, contained for example in the UN Global Compact principles:

– Human Rights Violations – Labor Rights Violations (including forced and child labour) – Systematic use of animal testing	– Pollution – Corruption, tax evasion, illicit financial flows, accounting practices

c. Securities issued by sovereigns or similar bodies should only be made after carefully considering, for example, the following areas of interest:

- Freedom of speech/press/society - Ratification of major international treaties (e.g. Paris on Climate Change) - Legislation and record on Human Rights and Labour Rights	- Military conflicts, nuclear weapons - Corruption - Death penalty

2. Positive Screening and Impact Investing that results in investments being made in one or both of the two following categories:

a. so-called positive screen, and/or sustainability-themed investments allocating capital to entities that directly or indirectly contribute to the SDGs/Agenda 2030.

b. Impact Investments, which allocate capital to projects that directly or indirectly contribute to the SDGs/Agenda 2030.

Investments in the above categories shall amount to at least 20% of the Foundation's total portfolio by mid-2018. Examples for areas of interest under a. and b. above are:

- Access to clean energy and climate change mitigation and adaptation (includes Green Bonds) - Access to clean water - Access to health care or education - Sustainable production and consumption, including sustainable agriculture and food production	- Access to financial services (microfinance), financial inclusion, responsible banking - Resilient and sustainable infrastructure and cities - Diversity and (gender) equality - Agriculture, timber and fishing

Depending on the respective asset class or situation, these approaches can be applied individually or they may also be applied in combination. For example, a certain portion of an asset class may be excluded via negative screening, and the remaining portion be subject to a best-in-class/positive screen approach.

C. Process to assess SRI eligibility

fundamentally from an ESG perspective, there are no limitations regarding the technical form of an investment instrument, so long as the underlying assets are in compliance with the provisions of the SRI Policy.

Based on the aforementioned SRI approaches, the Management Board shall approve a product list which shall be developed by the IC together with the support of the Investment Consultant ("Approved Product List"). All of the Foundation's investments will be chosen from the approved products list.

For the evaluation and selection of the individual investment instruments, the following principles and evaluative methods shall be considered and weighted according the respective manager type and asset class:

1. Agreement of the Approved Product List with the discretionary or investment fund manager(s).

2. Screening of the effective portfolio: In addition, a screening of the respective portfolios (including underlying positions of collective investments) should be conducted to assess to what extent the ESG criteria of the fund or asset managers are effectively being followed at the time of the approval analysis.

3. For Impact or Positive Screening Fund Managers: Investment products which are under consideration for the Approved Product List must be examined with regards to their ESG impact beforehand. Aspects such as the integrated ESG process, concrete ESG criteria and transparency shall be evaluated as well. The Management Board will also take into consideration ESG/SRI labels awarded to collective investments. Examples of providers of such labels are:

    - Novethik (ISR / EETC)
    - Luxflag (ESG/Environmental/Microfinance Label)
    - Morningstar Sustainability Rating
    - MSCI ESG Quality Score

4. SRI research providers: Reports of specialized ESG research and rating companies should be used for the evaluation of ESG profiles of issuers, investment products and respective managers selected by the Foundation and its governing bodies. Samples of such ESG research companies are:

    - Sustainalytics
    - Oekom
    - MSCI
    - ISS Ethix
    - Reprisk
    - Sigwatch

5. Bank accounts: The main banking relationship shall be established with a financial institute with a prime rating (oekom or similar).

6. SRI Alerts and extraordinary re-assessment: The Management Board shall ensure that it is informed on an ad-hoc basis of unexpected and adverse ESG-related events which may have an impact on its investments. The Management Board will review the information and undertake appropriate measures, including potential divestments in order to protect the reputation of the Foundation. For this purpose, the Foundation will enter into a service agreement with an appropriate research company to ensure such alerts are transmitted to the Foundation without delay. The Foundation accepts that in the case of funds or other collective investments, the necessary tests that are the basis of such alerts cannot always be conducted immediately or completely.

7. Periodic re-assessment of investments: All investments of the portfolio shall be reviewed at least once per annum in line with the process mentioned above under clauses C1-C5.

The Approved Product List shall be updated periodically and as deemed necessary. If a periodic or extraordinary assessment should result in a negative assessment, the respective investment product shall be removed from the Approved Product List. The IC may propose additional investment products to be included. In such a case, with the help of the Investment Consultant the IC shall recommend inclusion to the Management Board with a substantiated request.